

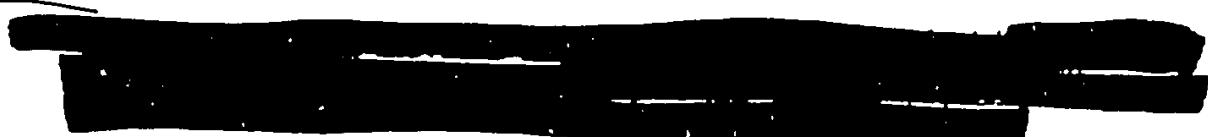
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DEFENSE CONVERSION TALKING POINTS

- General _____. First of all, I bring you greetings from our Deputy Secretary Dr. William Perry.
- When the military relationship flourished in the 1980s, COSTIND and the Department of Defense had a very close working relationship. I am here today to explore the possibility of a new cooperation with COSTIND.
- Dr. Perry himself has recognized the accomplishments China has made in the work of defense conversion and how much this work has contributed to your economic modernization.
- He realizes that the United States is a late-comer compared to China in defense conversion, and he knows there are things we can learn from you. The fact that over 70 percent of your defense industrial facilities are now producing civilian goods is simply astounding.
- We also know that China is very much interested in cooperating with the United States as both countries proceed down the path of disarmament in the post-Cold War period.
- Defense conversion is an activity which has broad support in both China and the United States. The goals cannot be questioned by reasonable men and women, and cooperation between us in this area can only be viewed by mutually beneficial.
- This is why at the Stanford Conference Dr. Perry discussed with you the possibility of the United States and China cooperating in defense conversion.
- I am pleased to inform China that Dr. Perry's suggestion has now been formally approved by the United States Government.
- In this meeting, I would like to brief you on our thoughts of how this cooperation can proceed, and I would like to hear your views on this cooperation also.
- We have taken the model of defense conversion cooperation from what the United States is doing with Russia and the Ukraine.

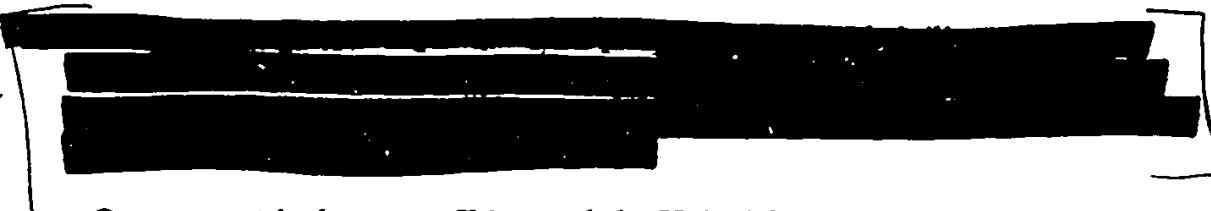
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(pass out defense conversion cooperation papers)

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- First, we want to have a group of US Government officials form the U.S. component of a U.S.-China Defense Conversion Commission. Dr. Perry has expressed his desire to be the U.S. co-chair of this Commission, with the other co-chair being Chinese.
- You will note that the U.S. component of this joint commission will have the Department of Defense in the lead, with interagency participation. Is it correct to assume that COSTIND will take the lead for China?
- On page 1, you can find the list of members of the U.S. component of the Commission.
- This Commission should be guided by a set of principles for cooperation, and we have drafted a proposal for your consideration. They can be found on page 2. If you have any comments or changes on this text, we will be happy to work with you.
- But you can tell from the principles our main goal is to promote mutual understanding of—and cooperation on—issues relating to the defense industry.
- I believe you will find the principles to be of benefit to both of us.

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Our concept is that once China and the United States agree on the statement of principles, and once you have picked your members of the Commission and we both finalize our advisory panels, we will have a first meeting of the Commission.

- To prepare for this first meeting, I believe that the trip COSTIND suggested to ACDA is a good one to use as a site survey trip. The Department of Defense would also like to have representation on this trip. Then this site survey report can serve as input to the agenda for the first Commission meeting.
- At this point, we envision the first Commission meeting to be next spring. We suggest that it take place in China. Dr. Perry intends to lead the U.S. members to Beijing at that time. We will of course need to formalize the timing and the agenda as time draws nearer and as we measure the progress of the preliminary work necessary to set up the first Commission meeting.
- I would like to hear your views on what you would like to see both China and the United States accomplish in this cooperation.

(let Chinese speak)

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- Thank you for your thoughts on this cooperation. I am very happy that we see eye-to-eye on how this cooperation should proceed.
- I suggest that we use the Defense Attache Office or your COSTIND representative in Washington to transmit messgages, with the goal being a Commission meeting in the spring. Thank you.

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